



TO THE STOCKHOLDERS:

Herewith is submitted the Annual Report and Financial Statement for the fiscal year ended June 30, 1965.

The mining and milling of lead zinc ore was raised from 75% of mill capacity at the beginning of the year to full capacity before the middle of the year. Full rate was maintained from then on.

In December 1964 a new smelter contract was signed which materially reduced treatment costs of concentrates. Extensive mine development work consisting of a main raise, connecting drifts and the installation of a hoist, all to simplify the handling of ore, materials and men, was completed during the year. Changes in the mill to increase capacity were designed and construction started. Since the first of July the mill changes necessary to increase capacity have been completed and the mill is now running at a rate of 60% greater than the best it would do in the last fiscal year. It is hoped that this rate can be increased another 20% to 30% by some minor changes. If the prices of lead and zinc continue to hold, this increased mill capacity will allow us to mine and mill ores at a good profit.

The market for sulphuric acid that could economically be reached from Rico was drastically reduced with the uranium cutback. Due to this unfavorable situation acid production was discontinued in October. The plant has since been idle, but can be put back into service when conditions warrant. Several carloads of mine-run pyrite were sold direct to distant users.

Since December 1960 your Company, in conjunction with others, has been doing extensive research work on the brines of Great Salt Lake, with the thought of extracting ^{from them} valuable salts. In September 1964 this project entered a new phase when an agreement was reached with National Lead Company to expand research, do pilot plant work, and further test the feasibility of a commercial operation. Hooker Chemical Company joined in this project in March 1965. Results to date are most encouraging. If the testing during the next few months continues to be favorable a decision should be made by the end of March 1966 on the construction and completion of a large project. Your Company plans to retain a working interest in such an operation.

In 1963 your Company obtained a 50% interest in a partnership known as Brown Equipment Manufacturing Company, which was in the business of manufacturing and selling bulk milk coolers and in the process of developing small refrigerated units employing the thermoelectric principle. Operations of this business have been most

disappointing and sizeable losses have been sustained, as reflected in the accompanying financial statement. In March of 1964 a corporation named Dairy King Sales & Service Corporation was organized under the laws of Nevada to sell the products of Brown Equipment Manufacturing Company. As of March 31, 1965 the partnership of Brown Equipment Manufacturing Company was dissolved. As of that date Dairy King Sales & Service Corporation acquired all the assets and assumed all the liabilities of Brown Equipment Manufacturing Company. In the three-month period ending June 30, 1965 Dairy King Sales and Service Corporation also lost money. ~~This operation is now being studied to see if this whole phase of Rico's business should be reorganized or discontinued.~~ Your Company is now the owner of 90% of the outstanding shares of Dairy King Sales & Service Corporation.

Your Company has had stock interest in several other mining companies. In 1948 it acquired approximately 13.7% of the capital stock of Consolidated Eureka Mining Company. Consolidated Eureka, while mining a substantial amount of ore between 1954 and 1962, has for the past five years been looking for additional ore bodies. This exploration work did not produce anything of substance in 1964 or so far in 1965.

In 1963⁵ your Company started buying the stock of Banner Mining Company, and now has 149,772 shares, or nearly 13% of Banner's outstanding stock. The market value of this stock as of June 30, 1965 was \$48.00 per share, which gave a market value to Rico's holdings of \$7,189,056.00. Banner Mining Company owns properties in New Mexico and Arizona. Its extensive holdings in Pima County, Arizona are now being developed by The Anaconda Company under lease. Anaconda is now stripping overburden from a large ore body, preparing it for open-pit mining. When this mine is in production Banner will receive substantial lease payments from the operation. While development work is going on Banner is receiving advance royalties and from these and other income has gone on a dividend-paying basis. These dividends have and should continue to benefit all Banner stockholders, including your Company.

Respectfully submitted,

SHERMAN B. HINCKLEY
President

October 7, 1965

Salt Lake City, Utah